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Employee Participation in Corporate Governance and Decision Making: A study of employee perspective

Research conducted and dissertation presented
as a requirement of
MSc in Accounting and Finance Management

Graduate Business School | Griffith College Dublin

Dissertation Completed by: **Arslan Abdul Razzaq**

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2nd September, 2015

Candidate Declaration

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I certify that dissertation entitled:

“Employee Participation in Corporate Governance and Decision Making: A study of employee perspective”

submitted to pursue the degree of ‘MSc Accounting and Finance Management,’ is a result of my own work and efforts and where reference was required, it was provided for the work of others, due acknowledgement is given.

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The research is complete and and objectives are achieved and hopefully the reward is confirmed.

Abstract

Corporate Governance has been a topic of argument since many years and new concepts and theories keep on emerging in order to make corporate governance more effective. There is a current debate going on about participation of employees in the Corporate Governance and strategic decision making not just by giving a seat to employee representative but actually giving the employees, power to influence the decision making. Shareholders are always considered to be the most important stakeholder of the company, but in current globalized environment where not just financial resources are the fuel for success but also knowledge of individuals and their expertise that results in generation of significant returns for an organization and growth in wealth of shareholders. This research is focused on studying the perspective of employees regarding employees participation in corporate governance and decision making.

Keywords: Corporate Governance, Employees, Decision making, management, stakeholders, employee participation.

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1. INTRODUCTION

1.1 Overview

Corporate Governance has become an important topic since more than a decade. There is increased public awareness about integrity of the management of companies. Corporate Governance is set of rules of conduct in corporate environment. Corporate Governance Codes set out guidelines that how companies shall be run. It is often argued that Corporate Governance is only a management and shareholder thing which ignores other important stakeholders. Executives of companies state that their primary goal is the maximization of shareholder value; at the same time the importance of employees in organization as stakeholders has also become an important issue as many companies in the annual reports claim to be socially responsible as following the guidelines of Corporate Social Responsibility and claim that their employees are the most valuable assets of the organization but they are ignored when it comes to decision making. It has been argued that employees should also be allowed to participate in decision making and governance system, so that they can speak for their rights and raise their voices on matters like incredible remuneration of directors and other management policies which seem to ignore the rest of the human resource of the company. This research focuses on corporate governance and employee participation. A suitable title for this research would be, "Employee Participation in Corporate Governance and Decision Making – A study of employee perspective". The topic is moderate and requires the understanding of the Corporate Governance Framework and participation of employees in governance system from the perception of non-management level employees.

Corporate Governance has been a topic of argument since many years and new concepts and theories keep on emerging in order to make corporate governance more effective. There is a current debate going on about participation of employees in the Corporate Governance and strategic decision making not just by giving a seat to employee representative but actually giving the employees, power to

influence the decision making. Shareholders are always considered to be the most important stakeholders of the company, but in current globalized environment where not just financial resources are the fuel for success but also knowledge of individuals and their expertise that results in generation of significant returns for an organization and growth in wealth of shareholders. This research is focused on studying the perspective of employees regarding employees' participation in corporate governance and decision making.

1.2 Research background & justification:

The reasoning behind choosing this topic for my research is my personal interest in the topics such as Corporate Governance, Corporate Social Responsibility, Decision making, performance indicators and development of my interest in corporate scandals which involved severe failures of governance systems and involvement of third parties. These scandals show how due to dishonesty and poor governance at higher management level is harmful to the stakeholders of the entity specially shareholders and employees. Employees suffer severe consequences after corporate scandals of the entities they work in because they have been serving the company and working hard for its good long prosperous future. Human Resource is the most valuable asset of an organization and without their motivation and good performance organizations cannot achieve their objectives. Employees do not have any investments in their own employing company or outside, their sole reliance is on the organization they work for and they are often concerned about the security of their jobs. At the same time due to watching unethical and unjustifiable motives of their management they also get concerned about their rights within their organization because ultimately they are the ones whose efforts result in the generation of profits for the organization.

I qualified as ACCA (Association of Chartered Certified Accountant) Affiliate and Graduated as Bachelor of Science in Applied Accounting few years ago and during my study I came across knowledge of big corporate scandals like Enron and Worldcom which has increased demand of good governance systems. The other reason is of me being inclined towards this topic is that I have experience of

working as Accounts Officer in renowned FMCG Company of Pakistan. Despite of its reputations and being market leader due to high sales volume, there was no compliance with corporate governance guidelines, e.g. separation of Chairman and CEO, and incredibly high remuneration and bonuses were taken by directors while employees were not paid sufficient salaries and benefits etc. I saw lack of motivation in other employees and I also felt it in myself due to these governance needs. I realized if our company was well organized and duties and responsibilities of our management were properly defined and there was some participation allowed to employees in governance system, it would have resulted in a far better position of the company.

So, I believe that this is an excellent opportunity to perform a detailed research myself in this area of Corporate Governance to get an in-depth knowledge of it and how it is perceived by employees of the companies. This would be done by interacting with people who actually work in companies and by asking them about their perception regarding involvement in governance system. Reporting on Corporate Governance Code is mandatory for listed companies and public sector companies in many countries but may not be necessary for private sector.

1.3 Research Objectives

It is compulsory for every research to have clear objectives and strategy to achieve those objectives. Research cannot be performed without clear objectives because if objectives are not clear, a lot of irrelevant data becomes involved which makes the research unviable. Therefore, I have spent some time to refine and finalize my research objectives. This research aims to address and get conclusions out of the following issues:

- Do employees recommend their or their representative's participation in board meetings and decision making in order to increase motivation and performance?

- What is the perspective of employees in incorporating employee participation which could result in better corporate governance? Can using their knowledge bring about an improved strategic decision making?
- In order to compete in current globalized environment is it necessary to include employee representation in governance decision making?
- Do employees and their knowledge play an important role in running of the organization and hold importance in terms of contribution towards company's growth, success, and profitability?
- Does participation of employees can improve the governance system and increase accountability of the board?

My research objectives are clearly focused on the exploring the point of view employees that how important they consider their involvement to be in corporate governance and strategic decision making and too what extent they believe that their involvement and consultation in strategic decision making and corporate governance will result in employee motivation and better control of the management as one of the main focuses of corporate governance is to provide a better control system for those who run the company i.e. directors. Further I want my research to be clear and beneficial to the one who reads it and it contributes to the knowledge that exists in the context of Corporate Governance.

2. LITERATURE REVIEW

2.1 Corporate Governance

Corporate governance is known to be a set of systems, principles and processes which can be used to govern a company. It guides as to how to direct and control the company so that it fulfills its mission and objectives and also satisfies its stakeholders. Stakeholders might be major or minor holding financial or non-financial interest in the company, ranging from board of directors, management, employees, customers, etc. The Corporate governance is completely based upon fundamental ethical principles such as integrity and fairness in doing business, transparency in all types of transactions, making all the necessary disclosures and decisions, complying with all the laws of the land, accountability and responsibility towards the owners and other stakeholders and strong commitment and grip over business ethics principles (Mary Thomson 2009). There is a strong need that the personal interests of director do not conflict with interests of shareholders and objectives of the company. As discussed by Mary Thomson (2009) the primary stakeholders are often considered as shareholders and employees are ignored in this regard. Employees are also to be considered as one of the primary stakeholders of the company because they play an important part in running of the company. Shareholders have other investment portfolios and diversified risk but for employees their employing entity is the only source of income and they have no other option to diversify risk.

Corporate Governance is something that manages the relationship between owners and stewards. Corporate Governance aims to reduce the negative effects of corporate power (O'Kelly & Wheeler 2012). Corporate governance plays a core role in running of business. It can also be called 'the way the businesses are directed and controlled, because it talks about the board which is the body that actually runs the organization. It identifies the roles, duties and responsibilities of the board member. Furthermore, it also describes the structure, composition and remuneration of the board. There are some ethical values in the in Corporate

Governance framework that need to be observed to proper functioning an organization and fulfillment of the right of owners and other important stakeholders like employees. These ethical aspects relate to; board behaviors, board structures & processes, the purpose, strategy & vision for the business, values & standards, Structure & procedures for oversight & control. (Casson 2013)

Daugareilh (2008) while explained that corporate governance is tied in connection with globalization phenomena. As there was increase in globalization so there was an increase in need for corporate governance framework that can be followed globally. The major aim of corporate governance is to reconcile the diversified interests of individuals in the company and at the same time avoiding any of them using the power unfairly. Shleifer & Vishny (1997) argued that corporate governance deals with methods in which suppliers of financial resources to corporations assure themselves that they get an appropriate return on the investment. The shareholders want to know how their money is being used and is being in proper ways. The integrities of the management can be challenge in many ways as they might abscond with the money using improper use of authorities they are given. Most of the advance economies of the world have solved this governance issue. They have adopted corporate governance principles very well and reduced the gap of control between management and shareholders. Although these advance economies have done well in terms of corporate governance but they have many differences in practical terms. The examples are USA, Germany, Japan, United Kingdom, etc. The argument between these is that what are good and bad mechanisms of the corporate governance. Easterbrook & Fischel (1991) and Romano (1993) made a very optimistic assessment of corporate governance system in United States of America and on the other hand Jensen (1997) and Jensen (1993) showed the belief that governance system of United States is absolutely flawed. There is also a non-stop debate about replacing the old Anglo-Saxon corporate Governance system with those patterned after Germany and Japan (Roe 1993)(Charkham 1994). Germany and Japan follow the mechanism of employee participation which allows employees to raise their voices in decision making.

For a proper balance of power in the organization and for the alignment of the interests of various stakeholders it should just not be shareholders and directors but employees should also be considered in this regard.

2.1.1 Conceptual Models of Governance (Stakeholder & Shareholder Model)

Over time there are different concepts being developed in the field of the corporate governance. These concepts are based on researches by different researchers and scholars. There are two dominant concepts of corporate governance which are the fundamental choices that are available to an organization. Vitols (2008) highlighted these two fundamental choices of corporate governance conceptions as Shareholder model and Stakeholder Model.

In *shareholder model* the shareholders come together as an association to form a firm and their main objective is the maximization of the wealth. The firm acquires all types of resources in order to increase the wealth of shareholders. The hired managers and directors of the firm are solely responsible to look after the interests of the shareholders and to increase the value of shareholders' wealth. The other conceptual model of corporate governance is *stakeholder model*. In this model the firm is actually seen as a community of members who run the company together. Shareholders are just one member of the overall community. The public has an interest in the governance and regulation of the firm and therefore different stakeholders get chances to raise their voices in corporate decision making of the firm. In this way, maximization of profit and firms value is achieved by reasonable balance between all interests of all stakeholders of the firm, not just shareholders (Vitols 2008). Both concepts are very different to each other where shareholder perspective emphasizes the increase in shareholder wealth and the stakeholder perspective encourages equal legitimate objective for the serving of the interest of the employees and other stakeholders such as for shareholders. From the view of stakeholders the participation of the employees seems to be logical phenomenon but from the viewpoint of shareholders it is only beneficial if it benefits the shareholders own interests (Kleinknecht 2015).

According to Vitols (2008) shareholder model is most common in United States of America. However, most of the European countries tend to follow the stake holder model. Stakeholder model is the one that looks more towards the employees of the company and takes their interests in account as well. Shareholders have an option to diversify their risk by making other investments but the employees do not possess this ability to diversify their job into different firms, therefore they are more concerned about their job safety and continuity of the firm. Participation of employees in corporate decision making may result in pushing the firm towards risk averse and conservative strategy; due to positive correlation between risk and expected return therefore the effect on profitability would be negative (Kleinknecht 2015). This view is little different where other literatures have explained that allowing employee participation in decision making would result in increased profitability but this one relates it to the relationship between risk and returns.

This debate can go on and on. Roberts & Steen (2000) mentioned two quotes in their research which are most commonly found in all type of publicly made announcements and reports by the managements of the major companies but these quotes at the same time seem to be opposing each other. The quotes are as follows:

“People and knowledge they create are our company’s most important assets”.

&

“Our primary corporate goal is the maximization of shareholder value”

Roberts & Steen (2000) explained later that Shareholder capitalism has become the primary concept in corporate sector of United States and this concept is now even moving into other states where approach had been totally different. In countries like Germany and Japan, the leading executives of corporations are calling others towards the American style of corporate governance if need to compete in the global market has to be fulfilled. At the same time Chief Executive Officers (CEOs) were also claiming that the employees of the company are the most valuable assets of the company and the income generated is a major result of the knowledge brought by employees.

Employees are given an opportunity to raise their voices in corporate decision making and thus objectives of the company are achieved through their involvement. On the other side, shareholder model only looks at the shareholders' interest and increase in their wealth. Managers and directors tend to ignore the interests and rights of the employees in order to achieve the confidence of shareholders.

2.1.2 Need for a Governance Framework

Since many years a question has been circulating around the world that how moral values and proper governance can be implemented in a firm. This question has received lots of increasing attention in the literature of business and corporate ethics. The most important issue is that a management system could be developed which is capable of integrating the moral dimensions of all type of economic transactions and questions of ethics and values into the strategies, policies & procedures of the firm. Corporate Governance is a term that is used on global scale but nevertheless, the interpretations of its meaning are not all similar. This has caused large differences in opinion and the causes of divergences are found in different theories; Agency theory – focuses on ownership or control, Transaction cost theory – focuses on allocation of governance to distinct transactions & Organizational theory focuses on rights or responsibilities of the stakeholders (Wieland, 2005).

A firm's corporate governance policy should include guidance on conduct for senior members of the company (CEO, CFO, Directors, etc.) because they are often considered as being exempt from the applicable policies of the company. Investors are mostly interested in the performance, growth and earnings of the company, but bad corporate governance procedures in place might put the investors in a big trouble. One important example of governance failure is 'Enron', where there were company's management and its associated traders increased the prices of energy artificially to inflate the profit margins and ultimately the share price. While this was not the action that resulted in the fall of company, however there were serious

failures in perspective of ethics and internal controls. All of these resulted in the collapse of 'Enron'. (International Charter, 2012)

2.1.3 Demand of Employee Participation in Corporate Governance

Franca & Pahor (2014) explained that recent developments in human resource management, corporate governance and labour laws which extremely emphasize on the recognition of the employees as important and major stakeholder group of a company. In addition to this there is a lot of emphasis upon incorporation of the system of employee participation in organizations as way of giving employees and employee representatives an opportunity to collaborate with higher management in decision making. There is a prevailing opinion that employee participation in decision making affects the performance of the company positively. Corporate Governance has mainly focused on the relationship between shareholders and directors and tends to ignore the involvement of the company in running of the company. Employees are also affected by decisions that are made in board rooms and they have right to cast their vote in the decision making.

2.1.4 Purpose of Corporate Governance

According to Rossouw (2005) corporate governance is destined to make sure that companies take the responsibility of directing and controlling their situation in such a manner that it seems fair to the stakeholders of the company. There are two ways in which this responsibility can be taken: Either board of directors of the company can voluntarily take the responsibility or regulatory authorities can enforce this responsibility or both of these can combine for this purpose or The stakeholders, to who board of directors are accountable, can use their influential power. But some difference of opinions found in different corporate governance regimes regarding the scope of stakeholders; as some regimes limit them exclusively to shareholders only and some other corporate governance regimes include many other stakeholders who fall within the circle of corporate responsibility.

Now that this is established that corporate Governance is crucial for good governance in any type of organization, but this cannot be denied it has to be kept up to date and also spaces for improvement should be looked upon. Many researchers have found that participation of employees in decision making results in better governance of the company and improved performance as well. Corporate Governance is all about accountability of directors to shareholders. It provides guidelines on how board should be composed in order increase control over management. But if employees or an employee representative are also participating in board meeting and decision making, this would result in improved control over management (Brickey, 2003) as it increases their accountability.

2.1.5 Importance of Ethics in Corporate Culture

Casson (2013) explained that the key to long-term success for a business depends upon decisions made within the scope of ethical values and principles. The losses and impingements of the high profile corporate scandals of greed and misconduct have proven the necessity of business ethics for an entity. These scandals involved by senior officers who violated ethical principles and as well as the rules of laws. Business ethics is the application of ethical principles and values in business practice. It mainly focuses on this point that decisions taken by board of directors should ultimately benefit the interests of shareholders and other stakeholders, no one shall be deprived of his/her right. Casson (2013) also defined accountability as the board being accountable / answerable to the stakeholder for both financial performance and non-financial performance of the company, and they are also answerable about how they achieved the performance.

2.1.6 Examples of Corporate Governance issues

Osterloh & Frey (2003) highlighted some recent major governance issues in the corporate sector. A good example is Jack Welch of General Electric who received \$2.8 million as basic salary, a bonus of \$7.2 million and 261.5 million US dollars in stock options. Michael Esner of Disney, made another good example of exorbitant

salary, i.e. 0.8 million US dollars as salary, 5.0 million US Dollars as bonus and made 107.2 million dollars in stock options. On the basis of an average, the income earned by the high level managers of the 10 companies of highest eminence in United States, such as Coca-Cola, Chevron, American Express, Boeing or Merck, stood at \$76 million in stock options, \$3 million in bonuses and 1.3 million in basic salaries.

The well-known examples of corporate scandals are WorldCom, Enron and Xerox. CEOs of these companies who tampered the accounts of the companies at the same time also received incredible remunerations. The scandals not only just damaged the entities themselves but the market as a whole and thousands of employees suffered the consequences who were working for a long lasting future of the companies. There was massive fall in the prices of the stocks and therefore investors have lost trust in the managers. This caught attention particularly of politicians and scholars. Their suggestions were in relation to extra monitoring and sanctioning of management at both management level and the level of laws and regulations. (Osterloh & Frey 2003)

2.1.7 Short History of Corporate Governance

In USA, since late 1970s many different bodies like Securities & Exchange Commission, New York Stock Exchange, etc have continuously issued codes of corporate governance. Hong Kong Stock Exchange also issued its code of best practice in 1989. In 1991 the Irish association of investment managers drafted 'statement of best practice on the role and responsibility of directors of publicly listed companies', in 1991. In these years the codes gained a rapid growth and in 1992, Cadbury Committee Report: Financial Aspects of Corporate Governance in Uk was published. The Cadbury Report became a major guideline of Corporate Governance and Business ethics. According to paragraph 2.1 Cadbury report (Cadbury, 1992) it was issued because very low confidence of stakeholders in financial reporting and also the competence and integrity of the auditors. The

Cadbury Report also stressed upon the need of independent non-executive directors, more involvement of shareholders, and the setting up of board committees including both executive and non-executive directors (Charkham & Simpson 1999). It was also required that companies that trade shares on stock exchanges ensure compliance with the code or otherwise provide justifications in case of non-compliance. The recommendations of Cadbury Report were highly codified and it enabled stakeholders and companies to adopt best practices as well as it became a base for code issuers in other countries (Aguilera & Cazorra 2004).

Sarbanes-Oxley came out after the event of Enron in 2001. Brickey (2003) explained that on October 16, 2001, Wall Street was stunned when Enron made the announcement of net loss of \$618 million dollars for the third quarter and it is going to cut down the shareholder equity by \$1.2 billion. Very next day Securities and Exchange Commission issued an inquiry and written requests were made to the officers of Enron to provide the details of information. Enron informed of the issue to its auditors, Arthur Anderson and after few days Enron engagement team of Arthur Anderson including engagement partner began destruction of related documents. After this, officers of Enron and Arthur Anderson were convicted of financial crimes and investigation continued. Sarbanes Oxley Act was enacted in order to correct the systematic weaknesses in Corporate Governance structures. It addressed the issues of improvement in accounting oversight, auditor independence, transparency, eliminating conflicts of interests and requiring greater accountability of officials.

2.1.8 Combined Code of Corporate Governance

The decisions taken by the leaders / top management have significant impacts on shareholders, customers, suppliers and other stakeholders. Therefore, top management must play a vital role in the bringing up of members of organization in terms of ethics and moral values, by setting up a model example of ethical behavior by themselves. Leaders are those who shape the culture of the

organization. Therefore they must ensure their ethical and moral values to be sufficient enough to avoid big corporate scandals in future (Thoms 2008).

Mallin (2010) has outlined the main requirement of Combined Code in relation to the Directors and Board which are as follows:

- The board of the company should be effective and collectively responsible for the performance of the company
- At the top of the company, there should be a clear division between the roles and responsibilities between the board running and role of running the company's operation and business. Chairman should only be responsible for running of the boards and Chief Executive responsible for the day to day running of the company.
- The board should have a balance of executive directors and non-executive directors (NEDs). Executive have involvement in the business but NEDs only interfere in decision making in important matters.
- There should be a formal, rigorous and transparent procedure to be followed when it comes to the appointments of executive directors.
- The board of directors should go through formal and rigorous performance evaluation every year to measure its own performance and other board committees.
- Re-election of directors should be held at regular intervals.

Combined code also demands formation of sub-committees which are pointed out by (Padgett 2012) as follows:

- **Audit Committee** plays the most important role in the group of sub committees. The Audit Committee has to ensure the fulfillment of the interests of shareholders in terms of, proper implementation of internal controls, financial reporting, appointment of statutory external auditors.

- **Remuneration Committee** is the one that decides the remuneration of directors and is of particular interest to the investors. The code requires that there should be at least three NEDs in the remuneration committee.
- **Nomination Committee** is responsible for the appointment of new directors. Majority members of the nomination committee should be NEDs. Nomination committee should be capable enough to evaluate the existing balance of skills, knowledge and experience required to act as a director of the company.

2.2 Employees and their Importance

There is no doubt in the fact that employees are one the most important part of an organization and their performance really does matter in achievement of organizational goal. Déniz-Déniz & Saá-Pérez (2003) in their research discussed the importance of the employees in an organization in much detail. They explained that in a ferociously competitive environment in which the economic activities are taking place, people are becoming increasingly important and also the way they are managed. This phenomenon is reflected in the adoption of highly committed practices of the human resource management which supports the development and creation of highly motivated and qualified people who are committed to the organization and organizational goals. Therefore, it is a fact that the manner in which the company devises its responsibilities to its employees will have an effect on their performance in their work and also affects their loyalty to the company; a satisfied and motivated worker who is committed to the company will become a society's best image of the company. Some light was put upon a fact by Armstrong & Sweeney (1994) that although there are legal and regulatory requirements for organization in order to ensure equal rights (gender rights) and work safety to employees, but still organizations need to take further actions in this area if it wishes to treat in employees in such a distinctive way that it becomes distinguished from other organizations.

Therefore, just following legal requirements and regulations, it does not actually mean that the social responsibility towards employees is fulfilled but there is a lot more that needs to be done in this regard. It means that company's need to adopt a managerial philosophy in which employees are not seen as a cost which has to be reduced but instead employees should be considered as an asset which needs to be valued and looked after. Thus taking HR seriously means a greater commitment to employees. The adoption of system of high commitment to employees can be seen as an initiative taken by management which aims to increase the profitability and performance of the organization through employee involvement and participation. In the increasing salient discussions of human resource management, high commitment systems are one the key elements. The use of these high commitment practices has an immediate effect upon the intermediate results, such as productivity and staff turnover rate which are under the direct control of the employees. Lower staff turnover and high productivity together should improve the financial results of the company (Déniz-Déniz & Saá-Pérez 2003).

Campbell & Campbell (2001) in their research looked for the factors of staff turnover. The factors included were, dissatisfaction with the work, style of supervision, or work-group dynamics; unmet expectations regarding pay, training and promotion, personal factor, employment opportunities in other organizations. Also in this research, it was demonstrated that employee turnover is not simply an individual's decision i.e. typically not a single stay or go determination, but in fact, it is a very complicated process. This decision is usually triggered by some sort of dissatisfaction.

According to Shadur et al. (1999), a key to achieve increased organizational effectiveness and positive employee perceptions is employee involvement which is for a long time considered as one of the most important aspects of organizational life. An assumption has been held by many managers and academics that, "if employees are adequately informed about matters that concern them and they are allowed to make decisions relevant to their work, then there will be benefits for both

the organization and the individual“. On the other side, if sufficient information is not given to the employees and also work is given where there is little or no interaction at all with fellow employees, then it is unlikely that employees will be able to carry out their work with required level of satisfaction. It was further elaborated by Shadur et al. (1999) that perception of the employees regarding the matter of involvement in organizational climate and factors that contribute to these perceptions are of significant importance to researchers and practitioners.

Déniz-Déniz & Saá-Pérez (2003) highlighted that the ultimate reason behind including the stakeholders in the process of strategic planning would be to gain the trust of stakeholders, because this trust generate commitment and commitment in turn result in guaranteed efforts. High trust has many benefits associated with it such as lower agency costs and transaction costs and a high capacity for adaption, cooperation and commitment. The commitment towards the stakeholders should be a priority of the organization when it is focusing on its employees, since the trust and loyalty of this group not only benefits the company but also the employees themselves. Due to an increase in global competition and advancement in complex technology, companies depend more than ever on the trust of its employees, specialists and managers, etc. Therefore, the trust of employees is an element of strategic stability and when this trust would disappear, implementation of strategy would have to go through slowly and costly mechanisms and behavioral rules. Therefore, in conclusion to this argument, by development of long term relationships with primary stakeholders of the organization such as present and future employees, customers, suppliers, etc firms expand the set of value creating exchanges with these primary stakeholder groups beyond what would have been possible with the interaction that are limited to the transactions of market (Hillman & Keim 2001).

2.2.1 Employee Participation in Corporate Governance and Decision making

Gollan & Ying (2015) in their research cited Heller et.al (1998) who explained the meaning of employee participation in their pioneering work that the term employee participation refers to how employees become able to raise their voice over

working activities and organizational decision making issues of organization within the organization in which these employees work. It has been insisted by some of the authors that employee participation must be a group process, which involves group of employees and their boss; delegation is also stressed by some, the process by which the one individual employee is given more authority or greater freedom to make decision on his or her own. Some authors have restricted the term 'participation' to formal institutions like worker councils; other definitions of employee participation embrace 'informal participation', which is the day-to-day working relation between subordinate and their supervisors and in this case subordinates are allowed and authorized to make substantial input into decision of work. Finally there are some of those authors who stresses that participation is a process and those who are concerned with participation are as results.

It was further argued by Gollan & Ying (2015) that these different forms of participation differ to each other in scope of decisions, the influence that employees can practice over management and the level of organization at which decisions are being made. Some of these forms of employee participation are designed in such a way that these can give voice to the employees, but it's not more than a very modest role in decision making, at the same time other forms are designed in order to give employees a more significant involvement in the governance system of the organization.

Marchington & Wilkinson (2005) differentiated employee participation into three different categories; upward problem solving, direct communication and representative participation. The first two categories i.e. upward problem solving and direct communication are mostly between managers/supervisors and their staff employees and these often operate as face-to-face interactions. Some of these are formalized with written information and suggestions while others take form of informal verbal participations. The third form of participation that is representative participation which centers on the role that employee representatives or trade union representatives play in formal discussions between management and the workforce via mechanisms such as joint consultation or joint working parties.

Roberts & Steen (2000) highlighted various issues which were related to the statements made by the higher management executives of the companies. On one side the companies mention their primary objective to increase shareholder value and at the same time CEOs of the companies also in their reports to public and shareholder claim that the employees of the company are the most valuable assets of the company because it is their knowledge and hard work which actually runs the company and generate profits and wealth. Also that knowledge that is embedded inside the heads of the people, who work in the company, is one of the major competitive advantages of the company which it has over its competitors. Phillips (2006) explained that managers of corporate entities are not just in search of corporate governance words but they want to bring it more into their day to day operations. Organizations although have different stakeholders but somehow some of them seem to be much more significant to other stakeholders. They also cited Galbreath (2006) who found that firms do make investments on stakeholders according to priority basis that which stakeholder has more power gets more invested into and internal stakeholders are normally given more priority as compared to the external stakeholders. Therefore, the good relations with staff and better human resource management is a form of good corporate governance and results in organizational success. Good management of human resource also impacts on brand equality, corporate reputation, ethical leadership and corporate citizenship. Pettijohn et al. (2001) and Thorpe & Homan (2000) suggested that in organizations which are run upon the basis of stakeholder model of corporate governance, the acceptability and quality of decision making is improved by allowing the participation by employees where employees can share their perspectives.

According to research by Young & Thyil (2009) it was explained that since more than a decade, corporate governance has become increasingly important following the involvement of firms serious frauds and corporate scandals including higher management, governance failures and bankruptcies. Along with this the need for a role of employees in governance systems was also emphasized and highlighted by researchers in different models of governance. Employees are the most important

and valuable asset of the company. The employees of the company are affected by decisions of management and they can as well affect the governance system of the company. Employees have often been considered as part of the labor but never as part of the corporate governance. It can be seen as employees as altogether actually run the company and their role in corporate governance is of high importance. Osterloh & Frey (2003) argued that the organizations should intensify the participation and self-governance of employees in the decision making process as a necessary part of the corporate governance.

Eccles (1993) pointed out the assumption underlying the participation of workers in decision making that the resulting decision making where employees also participate will be of higher quality than the decision making in which management were the primary decision makers. It was further stated that advocates of higher involvement of employees or employees' participation assume that by allowing employee participation better decision may be made because employees at the lower level of the organization are better able and knowledgeable to gauge what should be done in order to solve the problems. In addition to this, lower level employees will be better motivated to solve the problems of the organization and also they will remain closer to the customers. It is thought that these factors lead to the high involvement organizations and these type of organizations are also facilitated by the organization that allow their workers to participate on active basis in decision making.

Daugareilh (2008) in his research emphasized that:

“Decision making, instead of being the property and in the power of any individual or group, must be the result of an ongoing negotiation amongst the social players, seen as partners in a great game, where the playing field may be a company, a state, or an organization.”

Kluge & Schömann (2008) discussed the importance of presence of an employee representative in board decision making. The representation of workers at board level constitutes a different approach to the management of the company because

the presence of the employee representative in the board meetings would demand consideration and explanation of social consequences and justifications from the outset. Therefore in order to make the participation of employees effective in the board decision making, this practice should form an essential component of company's governance policy to allow for more partnership-oriented corporate culture opposed to Anglo-Saxon understanding of the management that is hierarchical and more top-down decision making.

Jones & Pliskin (1988) also explained that participation of workers in decision making might be another source for an additional improvement in company governance. Fitzroy & Kraft (1987b) who stated that workers in participatory firm might exhibit more cooperative behavior which would reduce the costs in relation to the monitoring of workers and they concluded that participation of workers in corporate decision making and financial sharing with workers would reinforcing effects on productivity and it would result in better performance of the company as a whole and effective governance.

2.2.2 Key issues in implementing employee participation

Franca & Pahor (2014) the literature is almost silent about the impact of management on implementation of employee participation. A key issue regarding the employee participation in board decision making is designing a desirable and appropriate model for introduction and implementation of employee participation in corporate decision making of the company. The influence of employee depends also on the type of company and the legal environment in which company operates. In European Legislation there is speeding up of legal and mandatory participation of employee representative in board meetings. Franca & Pahor (2014) also cited Strauss (1992), who highlighted that legal arrangements requiring companies to introduce employee participation in management do in fact increase the influence of the employees and cited Rebhahn (2004) saying that legal arrangements for employee participation restrict management's exclusive right and influence management. In terms of how important is the role of employees in

decision making the legislation cannot be clear on that, in fact, it completely depends upon the perception of management about the employees. If employees and the employee representatives are considered as a significant resource to the company, then employee participation would be more influential. On the other side if management is not in favor of the employees then employee participation is merely useless.

2.2.3 International Framework Agreements

Kluge & Schömann (2008) have briefly explained the evolution of International Framework Agreements (IFAs) which enhanced the employee interest representation by complementing labor relations and workers' interest representation at global level in large number of MNCs. These agreements, together with participation guaranteed by legal authorities, are increasingly becoming a core feature of the culture of global companies. Although when we first look at Corporate Governance, it seems to be focused only upon the management of shareholders, but employees / workers also have legitimate claim. Interests of workers are not just restricted to the employment contracts but they are also investors in pension funds and employee shareholders who deserve rights to good quality of service and benefits like citizens of state. They are also consequently affected by the corporate decisions.

2.2.4 Employee Board Participation in Europe

In most of the European countries employees participate in corporate decision making through statutory work councils (SWC) and employee board level representations (EBLR). There are a lot of contrasting material and contradictory predictions available in the extensive literature on the economic effects of EBLR and SWC (Kleinknecht 2015). This concept of employee participation is one of stakeholder models of corporate governance which conflicts with the concept of shareholder model where the main objective is the maximization of shareholders

wealth. Gold (2011) explained the evolution of Employee Board Level Representation (EBLR) in Europe. In 1970s, EBLR was only common in Germany. In France, workers were allowed to represent in consultative capacity on the board in 1946. Later, in 1983 and 1986, the law required employees' representations on the board by state owned companies and private companies respectively. In 1970s these systems were also introduced in Netherland, Denmark, Sweden, Austria and Luxembourg but not implemented in a way such as in Germany. EBLR is restricted to state owned entities in Ireland, Greece, Portugal and Spain. It was never obligatory in countries like Italy, Belgium and UK; however there was an attempt to introduce EBLR in UK in 1970s.

According to Gold (2011) in the majority of European Union member states Employee Board Level Representation is of crucial importance in industrial relations. In his research Gold (2011) concluded that the employee representation at board level contributes in formulating a Corporate strategy with broader base and ensures that the interests of employees and labour are taken into account at an early stage.

2.2.5 Forms of Employee Participation

There are many ways in which employee participated can be incorporated in the company. Knudsen (1995) explained that there are several forms of employee participation that can be found in organizations and all of these can be simplified in two forms; direct employee participation and indirect employee participation. Gonzalez (2010) and Kester & Pinaud (1998) also explained direct participation implies the participation of a single employee (employees representative) or group of employee in the process of decision making and this participation is related to their workplace and their area of responsibility. In opposition to this system, indirect employee participation system, gives the power to the employees to nominate or elect their representative or a group of representatives of employees such as work councils, As compared to direct participation, which is normally does not appear in

laws and regulations, indirect participation has formed part of legal requirements in most of the European Union countries. There has been a lot of emphasis in European Union documents to incorporate employee participation in decision making (Franca & Pahor, 2014).

Direct participation at its maximum influence may occur as self-management at the operational level in the organization. These decisions are normally related to stronger job performance, but decisions at strategic level are irrelevant in direct participation. Indirect participation can also be called representative participation (which is more related to this topic, i.e. participation in decision making), it often implies influential role of employees in decision making at tactical level in the form of consultation or co-decision making and may even include an influential role in strategic decisions relating to production goals, investments and cuts, etc. As discussed earlier in Germany and Scandinavian countries, employees can influence strategic decisions making process by representations on the board of directors (Busck et al. 2010).

Gonzalez (2010) explained that the participation of worker in decision making in their workplaces is defended by three different angles: democratic arguments as to power up the sharing and the protection of economic interests of employees; (II) humanistic arguments that refer to increased expectations of workers as to the nature of work in terms of autonomy and self-realization; and (III) economic arguments mostly in terms of enhancing the efficiency of the firms. Gold (2005) highlighted that employee participation in decision making is considered a productive factor in itself; for an instance, performance can be enhanced by improving employees' and their representative union's understanding of the business and also their commitment to the business.

2.2.6 An Insight into background of Employee Participation

Langan-Fox et al. (2002) highlighted that employee participation was first introduced as an alternate approach when traditional management approaches were no longer considered adequate after recession of 1980s. It was defined as 'a conscious and intended effort by individuals at higher level in an organization to

provide visible extra role or role-expanding opportunities for employees or groups of employees at lower level in the organization, to have a greater voice in one or more areas of organization performance' (Glew et al. 1995).

Langan-Fox et al. (2002) in their research explained that momentum was gained by interest of employee participation in 1970s as an initiative to increase the work life quality in organizations. In current time, it is clear that the primary aim of employee participation is to increase organizational efficiency and competitiveness. The recession in 1980s as told earlier forced many organizations to downsize and restructuring. The hierarchical structures that had characterized the early 1980s were dropped, and elimination of middle management was carried out at large scale. While, increased competitiveness in labor market meant a fall in market share and there was a lot of pressure than ever before to boost up the quality of products and services with minimization of cost. The strain on labor-management relations supported for the realization of the fact that traditional approaches to management were no longer adequate and a desire for search of an alternative management approach was evolved. And one of these alternatives was employee participation.

2.3 Conceptual Framework

The completion of literature review leads to the development of concept that needs to be used in the coming stages of the research. After I have completed the search for literatures on my topic and reflected the related areas in my literature review such as concept of Corporate Governance, its importance and history, then different models of corporate governance, and current debates on bringing employee participation in corporate governance, importance of employee participation and how employee participation can lead to better governance, also there are different methods of incorporating employee participation in corporate governance system. All of this has lead to the development of a conceptual framework that I shall apply in my research, findings and results, discussions and conclusion.

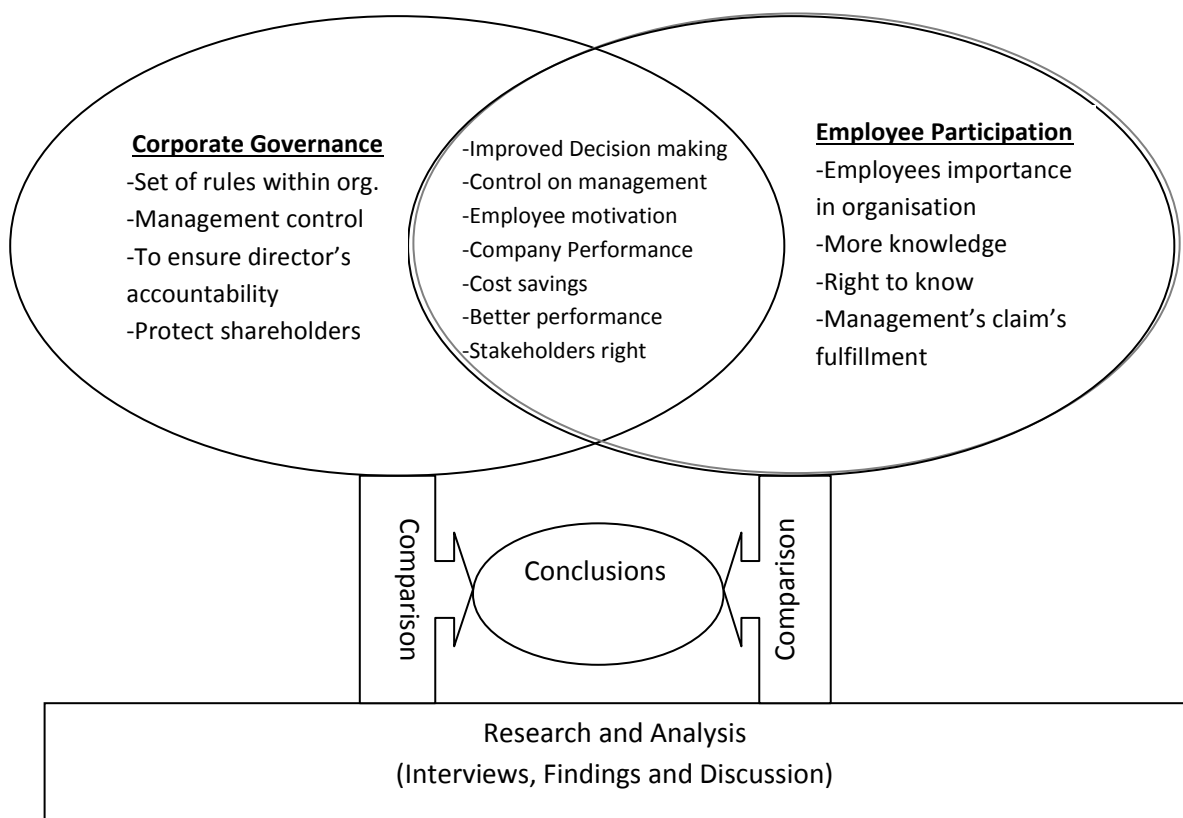


Figure 1: Research Illustration

The literature review, theoretical framework and conceptual framework share 5 same functions; to build a foundation, to demonstrate that how knowledge can be advanced by a study, to provide a basic concept for the study, for assessment of research design and instrumentation, and to provide a reference point for interpretation of findings (Merriam & Simpson 2000).

Cresswell (2003), while explaining conceptual framework, emphasized that testing theory does not have to be starting point of a qualitative empirical study, instead qualitative research often explores the areas that are studied lesser and searches for an emergent theory.

Rocco & Plakhotnik (2009) described that conceptual framework relates the concepts, empirical research and relevant theories in order to advance arrange the knowledge of different concepts and theories in a systematic way. Miles & Huberman (1994) describe the conceptual framework as a tool for research which identifies the main areas of study and focus such as factors, concepts, theories or variables and all these can be incorporate into data analysis and answering of research questions.

Therefore, the basic concepts for this research document are corporate governance and employee participation. According to the literature, first it was defined that what corporate governance is set of procedures that can be used for better governance of a company. It provides better control over the management and provides guidelines to shareholders that how they can structure the company in order to ensure the security of their investment (Mary Thomson 2009). Further it was developed that corporate governance is becoming more important as globalization is increasing. Its popularity has brought attention of many researches towards it and plenty of literature can be found on corporate governance. Many countries like USA, UK, Germany and Japan have best corporate governance systems in place but they differ on their mechanisms. There are many literatures which speak in favor of different mechanisms. There are two main types of governance models which are being adopted by the organizations; stakeholder model and shareholder model. In US shareholder model is found more dominating

however in Germany, Japan and many European countries the stakeholder model is more emphasized even through law (Daugareilh 2008). Different opinions of researchers are found on corporate governance systems adopted by big economies. Such as Easterbrook & Fischel (1991) and Romano (1993) praised the governance system of United States and on the other (Jensen 1993) believed the system of United States to be completely flawed.

According to literature review that there are two types of models of corporate governance system explained by Vitols (2008) which are normally adopted by companies. Shareholder model is where the primary objective is to maximize the wealth of shareholders but stakeholder model also considers the interests of other important stakeholders such as employees as a primary objective. Roberts & Steen (2000) argued about the debates going on in great economies like USA, Germany and Japan about which model of corporate governance shall be adopted. The concept that develops here is that there are two different governance models and there is difference of opinion that which of these is more beneficial because these model are adopted by best of economies. This research also aims to identify that what type of governance system is preferred by employees of the companies' themselves.

Different papers such as Wieland (2005) emphasized the importance of governance framework for companies so that management system could be developed which is capable of integrating the moral dimensions of all type of economic transactions and questions of ethics and values into the strategies, policies & procedures of the firm. And Franca & Pahor (2014) also emphasized the importance of employees as major stakeholders and encouraged the incorporation of employee participation in corporate governance systems. Casson (2013) emphasized upon the ethical and moral values that need to adopt in corporate culture in order to stay away from corporate scandals. Directors' accountability was also emphasized in this article. This research is aimed to identify that incorporation of employee participation in decision making can improve accountability of directors.

There is a great debate about employee participation in the decision making of the company and incorporation of this mechanism in corporate governance systems and guidelines. Roberts & Steen (2000) argued that executives of the companies in their reports mention that their most important asset is the human resource whose knowledge and effort has resulted in company's success but in reality their interests are not looked after. It was highlighted by Pettijohn et al. (2001) and Thorpe & Homan (2000) that by allowing employee participation in the company the quality and acceptability of decision making is improved when employees share their perspectives. Kluge & Schömann (2008) and Jones & Pliskin (1988) also discussed the importance of employee participation in decision making. Fitzroy and Kraft (1987b) explained workers participation could result in cost savings by better corporate behavior by employees which would save monitoring costs and effective governance. This develops a concept that employee participation can result in many benefits to the organization. This research would focus on capturing employee's perspective if their involvement can bring improvement in decision making and companies' performance.

That was the conceptual framework in which this research is aimed to be conducted. Therefore, the main concepts that need to be followed in this research are concept of Corporate Governance and the concept of employee participation in decision making that is incorporating employees in corporate governance guidelines on structure of the board by considering them as one of the primary stakeholders of the company.

3 RESEARCH PARADIGM AND METHODOLOGY

3.1 Research Paradigm

3.1.1 Approach to research

This research will be completed based upon the philosophy of phenomenology. The major purpose of this approach is to enlighten the specific and identify the phenomena through the perception of actors in that situation. In more detail, it means that to gather in-depth information and perception through inductive and qualitative methods like interview, semi-structured interviews, questionnaires, discourse and observation of participant and presenting from the view of the research participant. In terms of epistemology, this approach is based in a paradigm of personally held knowledge and subjectivity and emphasizes the importance of perspective and interpretation of a person (Lestor 1999). A good research is highly objective and it is directed towards its goals. There must be no bias, unnecessary assumptions and conventional approaches because it has to be based upon individual's subjective experience and an insight into people's motivation and actions. If we look at the Corporate Governance Framework it is quite clear that they are also based upon ideas that were presented by people around the world in order to improve governance system and accountability in public sector which resulted in a Combined Code and now it plays a vital role in corporate sectors in different countries. There have been several debates going around the world on different mechanisms of corporate governance followed by different countries. There is a great demand placed by many researchers to incorporate employee participation in corporate governance.

My approach for this research would be Inductive. This is the approach which owes more to Phenomenology and in which we collect data and data analysis that will result in development of a theory. This approach basically requires conducting a research to obtain opinions of a group of people in the same environment regarding their experiences and feelings. Inductive approach emphasizes a close

understanding of the research context, collection of qualitative data, more flexible structure to allow changes of research emphasis during the progression of research. Inductive research will also make me realize that I am part of the research process and reduce my concern for the need to generalize. (Saunders et al. 2007). If we look at the Corporate Governance Regulation and participation of employees in corporate decision making, we need to take into account the opinion of the people who have experienced working in corporate environment. This will get me knowledge of what people think about link between Corporate Governance and employees especially the importance of employee participation in corporate governance and decision making. After this research I would also achieve a sound knowledge about the practicalities of Corporate Governance.

3.1.2 Research Methodology

Based on the philosophy and approach I have chosen for this research, the methodology of this research would be Qualitative. Qualitative approach follows the way of exploring and understanding the meaning that single persons or a group assign to a social or human problem. When we follow the qualitative approach the process of research involves emerging questions and processes, typically gathered data in the setting of participant, data analysis building inductively from particulars to general themes, and the person performing research makes interpretations of the meaning derived of the data. The final report in written has a flexible structure. Qualitative method of research is followed by they support the perception of research that awards inductive approach, a focus on individual point of view, and the significance of rendering of a situation (Cresswell 2014). As I will follow this method of research, I expect it would be easier for me to collect the data and much quicker. It will grant flexibility of my final report and more clarifications regarding the different implication of globalization upon the roles of different stakeholders in corporate decision making which cannot be achievable through quantitative method.

3.2 Research Design

Research Design is a master plan that defines the methods and procedures for gathering and performing analysis of information needed. A research design allows for a model or plan of action for the research. During the early stages of the researches, the objectives of the study which are determined are also included in the research design in order to make sure that the information collected is appropriate for the problem solving. This is also necessary for the researcher to determine the sources of information, the design technique (for example; survey or experiment), the methodology of sampling, schedule of research and overall research costs. (Zikmund et al. 2013)

3.2.1 Research Strategy

The manner of carrying out the research is decided by the research strategy. First of researcher looks at his research objectives and from these objectives the researcher decides upon which strategy to use to achieve these objectives. If the researcher wants to use one case study as a research objective, then the researcher formulates a single case study strategy. If the objective of research is to use case studies more than one, then in this situation researcher devises a strategy for multiple case studies. Research Strategy would also help me to choose a right way of the research and provide me a control over the costs of research. (Engel & Schutt, 2013).

Therefore in this research the strategy is to first develop a concept of corporate governance and its guidelines. Then this research aims to analyze the impact of incorporating employee participation in corporate governance. This research is mainly focused on the employee perspective of employee participation. Interviewees shall be those who are actually employees (managerial or non-managerial) who normally do not participate in decision making. For some employees it might be important to develop their understanding about the research and its topic.

3.2.2 Methodology of Data Collection

As I have chosen qualitative research approach, which is mostly backed up by interviews and observations. The results under qualitative research method can be obtained through direct interviews, semi-structured interviews, questionnaires and observations. The results obtained shall be put together in order to find conclusion. Most of the data collection is to be achieved through the interviews and obtaining data from those who are interviewed. It can be a time consuming process. First of all I will identify and chose those companies in Ireland which are reporting on Corporate Governance. People I would chose in these companies to interview will be those who have direct involvement in implementation of Corporate Governance and responsible for business performance areas. I will try to conduct these interviews in person but if due to lack of time or high costs I am not able to do that, I will conduct telephonic interviews. If the participants of the interview agree, I will record all the interviews. During these interviews I aim to note down all the observations that are vital to my research objectives as soon as possible and then use these observations for future interviews and evaluation.

In case, if interviews cannot be conducted due to several constraints, short questionnaires shall be used as a method of data collection. In such situation, the questions that were formed for interviews shall form the basis for questionnaires. As discussed earlier, like interviews these questionnaires shall be addressed to those linked with business performance and Corporate Governance reporting and implementation.

The second source of data for me would be Annual Reports for the relevant companies which include Corporate Governance Report and Business Performance. These reports shall also be used for the preparation of interview questionnaire. Furthermore, I will also review other websites, journal and books, industry articles etc. There are certain websites of regulatory institutions which will also provide me relevant data for research.

3.2.3 Access and Ethics of Research

In order to conduct interviews, I must be able to obtain access to interviewees and company's data. As far as Interviews and Questionnaires are concerned I must contact the individuals for suitable appointments. Other Data about the company can be obtained either directly or through annual reports and company websites. Another important issue is that some interviewees might not be happy to disclose their names or their employer's name; therefore in this case these names shall be kept confidential. For achievement of these I will do the following steps:

- I will try to contact the individuals directly or through companies if possible otherwise through representatives of companies. Representatives might include representative bodies, etc.
- Prepare Interview Questions
- Preparation of a document requesting for interview or otherwise questionnaires also stating purpose of my research and its expected benefits for justification.
- Reviewing the questions once again in order to confirm accuracy and relevance and also a review by supervisor.
- Sending the above mentioned request document with covering letter and my contact details to all the participants of interview/questionnaire during the initial stage of my research.
- Conducting the interview

Like any other research, ethical issues are involved in my research also. "Ethics is made up of norms or standards of behavior that guide moral choices about our behavior and relationship with others. The goal of ethics in research is to ensure that no one is harmed or suffers adverse consequences from research activities". (Cooper & Schindler 2001)

For fulfillment of my role as an ethical researcher I will make sure that my research is solely scientific description and explanation of business phenomena. I will aim to

uphold high moral standards by making sure that the collected data is objective and factual. I will also make sure the facts and figures are accurate and there is no sign of distortion from reality to ensure fairness. Another most important factor for me to consider is confidentiality. During my interviews I will have access to sensitive information about the individuals or the companies and I consider it to be my responsibility to ensure that this information is not disclosed to any third party. I will agree to sign Confidentiality Agreements with the respondents if required. (Coldwell & Herbst 2004)

3.2.4 Nature of Data

Data I am willing to collect for my research is of two types. First one is the data I want to collect via Interviews. As I begin my research, I might modify some questions but some examples of the questions I might ask the interviewees are as follows:

- Is your employing company which is being governed according to corporate governance codes?
- Is there any employees' representative body in your company?
- Is the decision making in your company only restricted to the view of directors?
- Are you satisfied with the decisions made by the higher management of your company?
- Would you recommend that there should be an employee representation in the corporate governance and decision making of the company?
- Should the employees be allowed to frame the governance methods of the firm?
- Do you agree that involvement of employees in corporate governance and decision making of the firm would result in better performance of the company?

- This is argued that the benefits of employee participation in corporate governance and decision making are non-financial because it would result in risk averseness. Do you agree?
- Do you agree that the employee participation in corporate decision making and design of governance system would result in better control of the higher management i.e. directors?
- Do you agree that the participation of employee representative in governance and strategic decision making would in result in motivation of employees?

3.2.5 Analysis Techniques and Constraints

When data is collected through methods discussed before, and then I will begin to analyze these data. First of all I will organize this data according to its nature and classifications in a proper manner. I will use coding in order to summarize subjects that are important in data set and later these subjects in useful way. This can be done through tables summarizing each interview with questions.

I will link the findings obtained by interviewing and questionnaires with the literature. In the same way I can summarize both literature and findings in tabular form in order to perform analysis. And later I will discuss the analysis in order to draw conclusions that what is the perspective of employees regarding various issue of corporate governance and incorporating employee participation in corporate governance. When I have drawn conclusions, I will get them peer reviewed by volunteers before I proceed towards writing my final dissertation. These reviews are to be kept strictly confidential.

3.2.6 Potential Outcomes

Although there is enough knowledge available on Corporate Governance but my research will also contribute in the increase of this knowledge. I expect that after research it would be quite clear that Companies report on Corporate Governance

but every company has its own way of reporting. Also, companies only adopt those parts of the code that suit their need. Complete compliance might not be the case of every company. Some companies specially MNCs and listed companies in their executive reports mention employees to be their most valuable resource. But employee participation is never considered as something advantageous to corporate governance. I also expect to realize the type of link between business performance and Corporate Governance. It would help me find out does allowing employee participation in decision making can really produce good results by increasing employee motivation and board accountability.

4 Findings of Research

This section will cover the findings that have been generated through research interviews and their discussion. The findings shall be explained in a suitable manner so that they are easy to understand. First of all the findings will be explained separately according to each area of research and then they shall be followed by discussions. Later after the findings have been discussed, the discussion shall further continue in the form of conclusions.

4.1 About Corporate Governance

As far as corporate governance is concerned it has be understood all organization in different parts of the world are aware of corporate governance and regardless of their size they follow corporate governance guidelines to the extent they can and according to their needs and organizational structure. Especially, in large entities it has been observed that structuring of board is done by following corporate governance guidelines in order to improve accountability and transparency. Even in smaller organizations for whom its' not a compulsory requirement to follow corporate governance, tend to follow some practices described by corporate governance in order to have better governance system. In terms of major objective of the company, it was mentioned by all interviewees that the primary objective of their organizations is maximization of shareholders value. Verily, there is no doubt that shareholder wealth maximization has to be primary goal of any company. But differences have been observed in cases of looking after the interests of employees. As it was mentioned by one of employees that, *"Our CEO always shows his concern for employees but normally his management ends up only satisfying their own interests and shareholders' interests"*. Most of the employees showed this same viewpoint except it was mentioned by one that, *"at the same time employees concerns are also addressed"*. It has become quite clear that in most cases employees concerns and responses does not matter to the management. It was also narrated by one of the employees that their management mainly exists to satisfy its shareholders and customers. So customers have also been mentioned once as one of the most important stakeholders in the

organizations. But a question arises, who actually serves the customers? This question should be addressed later. The respondents who have been interviewed from different parts of the world like Australia, Ireland and Pakistan have shown that their organizations, either large or small in size, tend to follow Corporate Governance guidelines as much as it suits their organizational structure. But one respondent only spoke claimed that his employers also consider satisfaction of employees as their primary objective and do their best to achieve this objective.

4.2 Employee Contribution in Success

When it was asked about how much contribution employees have in company's success and growth, all the respondents gave their viewpoint about their and their fellow employees' contribution in company's success. Let's explain all of them one by one. It was found that employees play a very important role in achievement of both short term and long term objectives. On daily basis, employees take many decisions on their own other than board decision making, which keep the company running and results in successful periods and projects. If employees start to take decisions which only satisfy their own interests this could be a disaster for the company and there is no chance that the company can survive.

In another opinion it was found that this is also important that employees should be directed and supervised in an efficient and professional manner in order that they can contribute towards the success of the company. Therefore, if directed and supervised properly, these skilled and motivated employees become a key force behind the success of the business. This shows that employees when collaborate with each other in supervision and mutual understanding in a professional manner, these employees become a competitive advantage of the company over its competitors. Either way, it is quite clear that employees do struggle to adapt to the environment of the organization and promote mutual understanding with each other and work altogether to keep the wheels of the company in motion and drive it by force towards the targeted objectives.

It was again emphasized by one of the respondents that employees play a major role in the success of the company. The success of the company is not just

achieving its targets but keeping the company running and survive the completion is another aspect of success all companies have to face the competition and competition is not just between the company brands. For example, a completion for can be explained as two sales forces in the same regional market competing each other to get sales, in this case the sales force is crucial to organization because if their performance is not good, the company can never survive in the market. Also he mentioned that “*company is as good as its employees*”. This statement clarifies that a good company is good because it has good employees, if employees are not good the company cannot be good at all.

A respondent working in one of the leading banks of Pakistan, mentioned that, “*without the help of dedicated staff or workforce, not one of the bigwig enterprises that exist will be what they are today*”, this shows that his emphasis was upon this fact that all successful and big organizations today are in their places just because of the dedication of their employees. Employees’ competitiveness is a critical success factor for any organization. He also said, “*They are the one who make the products and serve the customers. They are the face of the brand*’”. This statement answers a question that was asked earlier that who actually serves the customers? Employees make the product and then they reach the customers and encourage them to buy the products. Employees can also be determinant factors between a successful organization and an unsuccessful organization.

An interviewee working in Australia gave example of his employing company, that their employees gather feedback from the customers and then analyze it and then they share the knowledge with the management regarding customer demands and behavior. This resulted in huge benefits for the company and this practice of employees became of such high importance that management always consults employees especially when they are making decisions in expansion projects. And it was concluded that employees are one of the major success factors of the organizations.

4.3 Employees as Stakeholders

When asked about employees being stakeholders to corporate governance and decision making it was observed that all the employees believe the fact that all employees are affected by decisions of management and they deserve importance just like all other stakeholders.

One respondent from a leading telecommunication company from Pakistan, explained to me that in their company employees gain knowledge and learn skills throughout their education and then they apply that knowledge in organization which keeps the organization running, generates profits and also results in innovations. This was also highlighted that normally most of the employees have their jobs as their only source of income and this risk makes them worried about their job's security and future of the company. If the management is making decisions only that suit theirs or shareholders' interest, it is unsuitable to ignore stakeholders like employees whose sole reliance is on the organization and play a vital role in organization's running. An interviewee from the Irish background was also of the same view that the decisions made by the management do affect the employees without some of the employees even knowing of this effect. And it was also emphasized by him that employees *"should be given vital importance in decision making"*.

It was recommended by one of the respondents in telecommunication sector in Pakistan, *"human capital is a source of competitive advantage"* and he also emphasized that employees deserve a place in the top tier of stakeholders. He also added that employees play a pivotal role in successful executions of strategic decision made by the board.

Response from the employee working in banking sector was in much detail. He also mentioned employees as primary stakeholders of an organization. If employees become important stakeholders it empowers them and they right of consultation which improve transparency of decisions made by management. Employees also get to right to vote for supervisory board members which would result in a better check and balance between management and supervisory

members which would increase fairness. He also gave example of compensation programs, which empower employees to elect a supervisory board, which in turn holds the management responsible for their actions.

From the last interviewee in Australia, he gave the practical example of his organization. He explained the fact that in their organization employees feedbacks and their consultation has helped the business to grow and succeed, therefore it is necessary that employees that should be kept at the level which belongs to the most important stakeholders and it is practiced in their organization.

4.4 Management practices regarding Employee's importance

It was asked to the interviewees about their management practices especially in cases of human resource or organization as a whole because it was more certain that all employees are aware of decisions made in cases of Human Resource related issues and whole organization. One of the respondents from telecommunication sector from Pakistan responded to this question that in their organization any changes in HR policy or decision made in these aspects are normally communicated to the large number of employees through email and notice boards. But there is no consultation with employees before these decisions are made and decisions are simply imposed on to the employees.

One of the respondents to the question working in Ireland, praised his employers in this regards that their management before taking any decision in significant matters call out for the opinion of employees and meetings between employees also take place. The opinion is communicated through a representative of employees who participates in a meeting with the board and in many cases proposed changes or projects were cancelled because of lack of employees consent and confidence. Same kind of comment was received from another of the respondents from Pakistan, working in another telecom sector company that their management completely looks after the interests of their employees and consider them very important in decision making and they allow employees to raise their voices against matters which conflict with their interest.

One respondent from leading bank of Pakistan also had some negative comments regarding the practice of his management. He told that in their organization there is no consideration of employees' interests and opinions when it comes to the decision making and employees are simply informed of the decisions made and the changes that are about to take place. On the other hand, respondent from Australia also praised his management practice, which allows employees to participate in decision making in significant issues which impact their interests. There is a formal procedure in which management analyses that how the decision made may affect employees and thereafter employees' opinions are taken through direct questionnaires or surveys. He gave an example of one incident when their company was proposing to increase service hours for one of their courses and all employees who were to be affected were asked of their opinions and these were incorporated into the decisions.

4.5 Incorporation of Corporate Governance in organization

Employees also gave their opinions that if corporate governance results in better control over management. In this matter the opinions of all were in favor of corporate governance, however they had different comments. It was described that if implemented properly corporate governance does result in better control over management actions and restricting to make an unlawful and unethical use of their powers given to them by shareholders. Involvement of Non-Executive Directors aids in keeping the interest of shareholders and directors aligned in one direction. But still corporate governance can be seen as only a shareholder and director kind of thing which fails to address interests of several other stakeholders because its guidelines are mainly focused on protection of shareholder interests. Another response received was that corporate governance is a very effective tool in order to have better control over management but it works better especially in larger organizations. And it was said by one that it can help company to achieve its targets. Another opinion was received that incorporating corporate governance into the system results in better allocation of responsibilities of the management and also the resources get allocated to where they belong. But overall it results in better

performance of the board and protection of the shareholder's investment. One respondent described explained that the Corporate Governance guidelines demand separation of Chief Executive Officer (CEO) and Chairman to avoid conflict of interests and giving too much power in one hand. Also following corporate governance makes it easy to remove a poor performing CEO. Corporate governance also provides guidelines on how to structure the boards, i.e. including NEDs in the board and specifically mentions the roles of executive directors and non-executive directors which result in more transparency, better control over management, improved decision making and accountability. Respondent from Australia also said that incorporating corporate governance would result in a better governance system for any organization. He again mentioned the example of good governance system in his employing organization that the organization follows the guidelines of corporate governance which can be applied to their organization and it really helps their owners to have a better control over the management.

4.6 Employee Participation for better decision making and control

Interviewees were also asked about their views on incorporating employee participation in corporate governance which allows employees to participate in decision making and benefits of this practice for better control over management as well. One interviewee who belonged to the leading telecommunication of Pakistan encouraged that if his organization incorporates employee participation into its corporate governance system; it would bring more knowledge in decision making, elevate motivation in employees & increased control over management and he gave an example that it would result in cost savings because there are methods of cost savings which employees are aware of but they are never shared with anyone. Also in terms of control over management it was said that, it would empower employees as well and their voices can be raised in over different matters, also it will give more exposure to management activities which would result in benefit to the organization and shareholders as whole.

It was also agreed by respondent working in Ireland that employee participation in decision making would result in better control over management and also increase

the effectiveness of the decision making by bring more knowledge of operational level in decision making. He also mentioned, *“Employees’ participation in decision making always helps to achieve success”*, and he specifically mentioned that areas where employees have expertise and taking employees’ consultation in those areas could really help in decision making. And also an example was given by him of choosing a software system and consulting employees who have experience of using different software packages.

Another respondent said that in their organization the employee participation approach is already part of the corporate governance system. The management values the inputs of employees in decision making and makes informed decision. The management accepts or rejects many proposals after the consultation with the employees’ representative and staff of the company really feels empowered and motivated. When employees get involved in decision making it increases transparency of the board meetings and also increase the efficiency and effectiveness of the board. Respondent from the banking sector in Pakistan explained briefly the importance and effects employee participation. He told that *“solid foundation of any successful business is its employees”*, and also mentioned employees as a source of knowledge and ideas. Involvement of employees in decision making empowers the employees to contribute more towards the success of the organization; it increases productivity but also saves time and money. Several other positive results that can come out of this practice is that, employees feel themselves as being a valued part of the management team, they will make better day to day decision being aware of long term goals of the company as well, and also that employees will feel more responsibility with higher morale and motivation. He also agreed that employee participation in decision making would result in a better control over the management. Also his view was that *“Employees’ involvement in decision making provides them with credible information about the company’s strategy and profits that improves transparency and increases management’s accountability”*. The last respondent working in Australia told that if employees are initially participating in decision making it makes it easier to implement the decisions and increases efficiency. He also mentioned that if

employees are participating in decision making, *“creates a sense of ownership in the employees”* and also motivates them to perform at their optimum capacity.

4.7 Intensity of Employee interest in decision making

All interviewees were asked a simple question that how much interest employees have in decision making in board room or employees are normally only concerned about their jobs and areas of responsibilities. The reply was same by all backgrounds except from Australia. All respondents provided the same perspective that there different people, some are interested only in their jobs and they don't care about board decisions, the only thing that concerns them is their salaries, short term and long term benefits. And there are also people who really are worried about the future of the company and their job security. They want to know that what management does with all the money that is made by the efforts of employees and management together that's why they are interested in board meetings, dividends, board duties and remunerations, etc. From the respondent from Australia, it was found that most of the employees do not care about decision made by the board and they are only concerned with their jobs, salaries and benefits, etc.

4.8 Recommendations on Employee Participation

In last, all the interviewees were asked about their opinions in recommending employee participation into the governance system of the companies. It was recommended by all of them that employee participation should be allowed in governance of the company for better decision making and governance system. It was highlighted by one that directors of the companies take salaries equivalent to hundreds of employees in form of their remuneration packages there should be a system which allows employees raise their voices against such luxurious remunerations for directors. Also it was recommended that there should be some type of participation by employees in board meetings and governance system like an employee representative, leader of the labor union, etc. One recommendation was justified by saying that employee should be given fair participation in corporate governance as a further compensation to their salaries, because they not do the

work in the company, but their knowledge and expertise should also be taken into account. A fair employee participation system will result in better policies and will increase the effectiveness of corporate governance. It was further suggested by one that companies should adopt employee participation approach in corporate governance as it would result in better control over management. One respondent also recommended this approach saying that it will enhance company's performance as a whole contribute towards achievement of company's objectives, also save time and money. Respondent from Australia also recommended employee participation saying that it does not only help in creating a better corporate governance system but also helps in effective decision making which is crucial for long term success of the business.

5 Analysis and Discussion

After the findings have been explained the research is now to be analyzed and after discussion, conclusions shall start to filter out.

5.1 Corporate Governance

It was found in the research that respondents from all the backgrounds supported the fact that their organizations have adopted the corporate governance code for better governance of the company. All tend to follow the minimum requirements of the combined of corporate governance. It was mentioned by most of the respondents that their companies have separate CEO and Chairman. As it was previously outlined by Mallin (2010) in summary of combined code that there should be separation between roles of chairman and CEO. It was also outlined that board should consist of both executive directors and non-executive directors. It was also pointed out by two of the respondents that there organizations have NEDs in their board structure who are part of audit, nomination and remuneration committees.

As it was highlighted by Wieland (2005) corporate governance is followed on global scale but this has given rise to different types of theories, Agency theory, transaction cost theory and organizational theory. Interviewees in this research belong to different backgrounds like Ireland (Europe), Australia & Pakistan (Asia). When asked about corporate governance it was found from all that there organization follow the corporate governance guidelines but still there were difference in the opinions regarding employee's interests being looked after by management. It was pointed out by two of the respondents that there organizations are really concerned regarding the interests of the employees but remaining were of the view that there managements only claim to be watchful over employee interests but they do not actually care about their employee interests. This issue was also highlighted by Roberts & Steen (2000) that Chief Executive officers claiming in their reports that employees are the most valuable asset of the

organization because the wisdom behind company's success and generation of huge profits is because of their knowledge.

Shareholder model and stakeholder model were explained by Kleinknecht (2015). The opinions that were received in favor of the organization which look after their employees very well are more attached to the stakeholder model because their organizations do not just consider shareholder satisfaction as the primary goal of the company but also employees and other important stakeholders must also be satisfied in order for their satisfaction as well. There are several methods in which stakeholders' satisfaction can be achieved but that detail is not part of the topic. Other three respondents whose organizations are only focused to fulfill shareholders' interests are more following the shareholder model of corporate governance.

In the literature it was explained by Rossouw (2005) argued that corporate governance aims to make sure that companies take responsibility of directing and controlling the situation in such manner that it seems fair to the stakeholders of the company. And also highlighted the two ways in which responsibility can be taken same as shareholder and stakeholder model. In the research, I was found from the organizations really have different types of taking responsibility but mainly the two are shareholder model and stakeholder model. Some organizations involved employees in their primary stakeholders and some did not consider employee satisfaction as their primary objective.

5.2 Employees as Stakeholders and Contribution in Success

It was found from all the respondents of interviews that employees have a significant contribution in the success of the company. The concluding comments were similar by all but difference perspectives were used to explain. In previous experiences this point was highlighted by Roberts & Steen (2000) that management reports of companies contain in themselves statements saying that employees and their knowledge are the most important assets of the company and also at the same time they also say that shareholder value maximization is their

primary goal. And similar point of view was also mentioned by one of the correspondents that *CEO shows his concern for employees but never proved practically*. It actually explains the fact that CEOs in their reports praise the efforts of the employees and the benefit that company has received from their knowledge but in practical management's main primary objective is shareholder value maximization and if shareholders interest conflict with employees interest then most probably employees interest will not be considered valuable.

It was also found in literature that firms make investments on their internal stakeholder on the basis priority and priority is set up on the basis of power, so therefore, good relations with staff and better human resource management is a good form of corporate governance and it results in better performance of the company. In actual research the idea found was that if skilled and motivated employees are just supervised and directed properly they can put a great contribution towards the success of the company. The result that can be withdrawn from here is that it is not necessary that staff on which money was spent on priority basis and then better human resource management results in organizations success, but if employees are simply supervised and directed properly even then they contribute to organizations success.

It was also found in research that according to the perspective of employees the company is as good as its employees and these employees can also be the determining factor between a failed organization and a successful organization. Further it was found that employees are making day-to-day decisions on their own which actually runs the company and if employees begin to take improper decisions then nothing can stop the company to fail and also all the big organization could not have achieved the high level they are at without dedicated staff. In comparison to a previous research it was also Mary Thomson (2009) that shareholders are always considered to be one of the most important stakeholders of the company and employees are ignored in this regard. She also included that employees should be considered as one of the most important stakeholders of the organization because of their high stake in the company which comes from their

knowledge and the level of risk they have – shareholders have money invested in different portfolios and so does they have diversified risk portfolio but employees have high risk because their jobs are their only source of income. This is another similarity that can be seen in this research and previous research that employees do have high stake in the organization because of their day-to-day decision making which they solely do for the successful running of the company and another similar view that they put all their reliance for their income in the company and bear high risk.

A concept that was defined in previous research that shareholders are just one member of the whole community, even public has interest in the regulation and governance of the company. In this way maximization of profit is achieved through a balance between the interests of all the stakeholders. In comparison to this, in this research it was found that, employees are a source of competitive advantage and they should be included in the top tier of all the stakeholders and employees play a pivotal role in successful execution of the strategies. Also, this was found in this research that employees consider themselves as the key stakeholders and they realize that they are affected by all the decisions made by the management and they deserve to be given high importance when management is making decisions. This leads us to realize that employees are aware of the fact that management is only concerned about shareholders when they are making decisions but they and their interest are ignored and management jeopardizes employees' satisfaction in order to please the shareholders of the company.

In literature it was found that from the viewpoint of stakeholders the participation of employees in corporate governance (i.e. giving importance to the employees in decision making as primary stakeholders), is logical thing to do but if this situation is looked upon from the viewpoint of the shareholders, it only seems logical or it is beneficial to the organization if it benefits the shareholders' own interest. However in this research it was found that all the employees has shown the same viewpoint that it is logical thing to say that employees should be an integral part of corporate governance and they should be given importance in corporate governance (using

employees also like agents of the shareholders who look after the investment) and decision making and also there should be participation by employees in the decision making. Therefore, this research has contributed towards the fact that all employees consider themselves to be important part of the organization without which organizations and governance systems are incomplete. And also as they think that they give a significant contribution towards the success of the company therefore they deserve a right to be an important stakeholder who is affected by decision making and they should be made a part of the board meetings panel so that this right can be fulfilled.

This finding of this research in some aspect has agreed with findings in the literature that management's executive's claim that employees and their knowledge are their most valuable resources which excelled the company but in practical shareholders value maximization is their primary objective. Also there was a contrast between previous researches that 'employees contribute to the organization if they are invested in' and 'employees contribute to the success if they supervised and directed properly'. Also this research verified that employees bear a lot of risk because their jobs are their only source of income and they are concerned about the long term future of the company because it affects their future as well. It was also agreed in this research that employees demand that they should be included in the top tier of the stakeholders.

5.3 Management's concerns over Employees' Importance

The interviewees were asked about their management's behavior towards employees in the matters corporate governance and decision making. The literature about the importance of the employees says that people and the way they are managed have become extremely important in today's ferocious competitive environment. Therefore, it is extremely important for organizations the way they manage their human resource because it will have a direct impact on the performance of the organization. This research found that there were different types of opinions in this regard. It was found that even being in the list of leading companies; the employees of these companies were absolutely dissatisfied with

the behavior of the management because there was no consultation with employees, employees' representatives or unions in many significant issues like HR policies. On the other hand some employees from other companies of medium sizes praised their management about their communication and concern over the interests of employees when they make decisions. Now the question arises that even being leading companies in their relevant sectors, these companies have their employees who are dissatisfied regarding decision making of management but still these companies manage to survive in the top companies list. If this is the case then there are other factors that keep the companies running in good performance like for example, if there is high unemployment, even being dissatisfied employees do their best for the company in fear of being replaced or losing their jobs or it can be monopoly or other economical issues. On the other side where employees are satisfied with management's behavior these companies could be growing because of employee satisfaction and thus create more pleasant working environment for its employees. This can also be questioned that maybe the employees who were working in European and Australian environment they were more motivated because their expectations are being watched over but working environment in Pakistan is different and that is why those working in Pakistan were not happy with their employers.

During the literature review it was also found that just following the legal requirements and regulations doesn't fulfill the social responsibility towards the employees and a lot more needs to be done. Also in literature it was highlighted that employee involvement is a key to achieve increased organizational effectiveness and positive employee perceptions. Further highlighted that, if there was proper system of informing employees of the matters that concern them then it is beneficial for both organization and individuals. But if this does not happen it would result in de-motivation and job dissatisfaction. In comparison to this, the research explains that employees are satisfied with the management when they see they are being involved or informed in matters of decision making, but simply informing did not satisfied employees and they argued that there interests should also be looked after. However, it was observed that where management showed

concern for employees the comments received were positive. This can also be withdrawn from this research that even having a de-motivated and dissatisfied staff the companies still survive and grow but there are other significant reasons for this because as it happened with companies situated in a country where unemployment is high and economy is in bad condition.

5.4 Corporate Governance for better Control over Management

In relation to incorporating corporate governance for better control over management the literature review has quite detailed information about how corporate governance results in better control over management. The literature tells that corporate governance aims to reduce the negative effects of corporate power that is given to the management by shareholders. This research found that employees consider that if it is implemented properly it can increase the accountability of directors such as officers like NEDs play an important role in control of executive directors and keep the interests aligned. The literature also say that Corporate governance provides several guidelines on how board should be structure and ethical behaviors that are required for effective governance of the organization and to maintain the integrity of the management. It also aims to reconcile interests of stakeholders and reduce chances of unfair use of power. Some of corporate scandals and several big corporate issues regarding nomination and remuneration of directors were highlighted.

If compared, the findings of this research are all in favor of the incorporating corporate governance in order to achieve a better governance system and better control over management. Employees recommended corporate governance while explaining that, it is a successful practice which reduced the number of corporate scandals, it enables effective allocation of resources and responsibilities, divides the responsibilities of CEO and Chairman and involvement of NEDs brings independent power which interferes in remuneration and nomination of executive directors. Therefore it is quite similar between previous researches and this research that corporate governance results in a better control over management. Because as management are responsible to look after investment of shareholders,

it does not just gives them a single responsibility but also give a lot of power because they have authority to move assets from one place to another and this power can be used in many ways to use company assets for personal usage, embezzlement of funds and money laundering etc. Other examples of illegal and unethical behaviors which puts severe doubts on integrity of managements of bigwig organizations are found in literature as greatest corporate scandals like Enron and Worldcomm which are great examples of governance system failures.

5.5 Employee Participation for better Governance, Control & Decision Making

The literature was very clear about many researches which demanded employee participation in companies. It was found in previous researches that in addition to recognition of employees as important stakeholders it is also being emphasized by many scholars and researchers that employee participation systems should be incorporated in organizations giving employees and employee representatives an opportunity to collaborate with higher management in decision making. As compared to this research, it was also found in this research that employees also emphasize that there should be employee participation system in organization for a better governance system and decision making. Even though it has a lot of benefits, it is being practiced by many organizations but it has not become a common practice so far.

It was also found in previous literatures that good relationship with staff and a good management system for human resource together is a good form of corporate governance and it leads towards organization success. Good human resource management also improves brand equality & quality, reputation, ethical leadership and corporate citizenship. It was also found that in the organizations which adopt stakeholder model of corporate governance, the acceptability and quality of decision making are improved by allowing employee participation. As compared to this research, where it was found from employees perspective that involvement of employees in decision making contributes towards organization and save money and time for the company, therefore increased productivity. It was also found in this research that if employees were informed of and present in the decision making

process it was more likely that employees performed much better in the implementation process.

It was also found in this research that employees recommended employee participation because it results in increased accountability of the board and also exposes their activities. Employee's involvement in the decision making process provides them with all the credible information which is essential for all individuals and enhances transparency and management's accountability. This can be summarized in this way that when employees participate in the decision making process, first of all they bring their own knowledge and secondly it increases their knowledge about the strategic planning and decision making which gives exposure to the board room activities and increases transparency and enforces integrity in the character of executive director. When compared with the literature, it was found in previous researches that for a few decades there was an increase in popularity of corporate governance following the big corporate scandals after which the integrity of directors began to be questioned on global scale. Therefore, when it became popular topic for researchers and scholars, they also recommended that employees shall also be considered as important stakeholders of the company and they should also be made an essential component of knowledge in the corporate governance and decision making. It was argued by many scholars that organizations should implement employee participation and self governance by employees in the decision making process as a necessary part of corporate governance. Therefore the findings of this research that employee participation improves board accountability and transparency are similar to previous researches as highlighted in literature review.

It was pointed out in literature review by that decision making in which employees participate is higher in quality as compared to decision making in which management are primary decision makers. It was further stated that employees at lower level organization if used for consultation in decision making, can result in better decisions being made because employees at lower level are more knowledgeable of how certain problems can be solved and they will be more

motivated to solve these problems and it will also help them keep customer relationships (Eccles 1993). On the other hand, in this research it was found from the employees that if they are allowed to participate in decision making they will be empowered and they can work more efficiently saving time and money. Further employees will feel as a valued part of the team and increase their knowledge of organizational goals and they can make better day to day decisions. Employee participation would also bring a sense of responsibility, high morale and high motivation. An example was given by one of the employees that if his employer organization adopts employee participation in decision making it would save them a lot of money because the interviewee himself and his fellows are knowledgeable of several high cost saving methods and techniques and they never got an opportunity to share those ideas with management. So the findings of this research match again with the literature that employee participation increases motivation improve quality of decision making and can save money. Costs can be saved by sharing of knowledge with lower level employees because they have better knowledge about the mechanisms that can save costs to the company.

It was found in the research that employees have different type of behavior in regard to decision making. There are some employees who want to know what goes in decision making and they are eager to participate in decision making. But also there are some employees who actually do not bother themselves about decision making process and they simply don't want to interfere and only concerned with the terms of their employment contract with the company. But one of the respondent said that majority of the employees are interested in the board decision making and they want to be informed of what goes on in board room meetings. It was also found in the research that involvement of employees in decision making also results in a sense of ownership in the employees and increases their confidence and motivation to show competitive performance in their duties. There was another good thing found from the employees that if they participate in decision making their concerns can be addressed on time and it would improve business process efficiency and effectiveness of decision making. As compared to literature where, it was emphasized by Daugareilh (2008) that organization should be a play ground

and decision making should be a result of an ongoing negotiation amongst the social player, seen as partners in the game. The presence of an employee representative in the board meetings would result in demand of consideration and explanation of social consequences (effects on human resource) and justification from the very outset (Kluge & Schömann 2008). It was also pointed out in literature (Fitzroy & Kraft 1987b) that workers in firm that adopts employee participation, would exhibit more cooperative behavior which would result in saving costs of monitoring the workers and increase productivity. Even here it can be seen that these research findings about employee participation are being a factor of motivation, productivity and concerns of employees being addressed on time is similar to the previous researches.

5.6 Recommendation on Employee Participation

In this research it was found that all the employees demand that employee participation should be made an essential part of the governance system of an organization. It was found from employees that they strongly recommend the adoption of fair employee participation approach in corporate governance because it will help in establishment of better policies and also to increase effectiveness of corporate governance. This research also found that employees perceive that incorporating an employee participation system in decision making and corporate governance would result in better control over the management. Employee participation was also recommended by another employee saying that it will ensure a better governance system and good decision making process which would result in long term success of the company. If these findings are compared with the literature review, Jones & Pliskin (1988).explained the same point of view that participation of workers in decision making could become another additional source of improvement in governance system of a company. It was also found in previous research (Fitzroy & Kraft 1987b) that participation of workers in decision making process and also a form of financial sharing with the workers would have reinforcing effects on their productivity and it will give rise to a better performance of the company as a whole and an effective governance system. In this research, it

was also recommended by one of the respondents that employee participation should be made part of the law, in this way no one can escape the requirements of law of the country. Employee participation can be enforced by law in a form of participation by an employee representative or leader of employee union in board meetings. In comparison to this, it was found in literature (Rebhahn 2004) that legal enforcement of participation by employees restricts the exclusive rights and influence of management. It was also highlighted in another research (Strauss, 1992) that legal requirements for introducing employee participation in management of the company empowers employees and increases their influence over decision making. After comparison it is clear that employee perspective regarding the recommendation of employee participation is also positive as it was found in previous researches. All the employees in this research recommended employee participation that it increases effectiveness, better control over management, contributes to success and good decision making. It was recommended to such extent that it should be included in the law in order to enforce this good governance system. Previous researches were also recommended the same.

6 Conclusion

The research is complete in order to allow researcher to draw conclusions. There was plenty of literature that was reviewed which allowed the basic create a deep understanding of the core areas of the research which include; corporate governance, decision making and employee participation. This research has accomplished to obtain the perspective of employees from different organizations regarding the main objects of this research. However, as limitations always exist, there are limitations in this research as well. The research was based on interviewing several individuals and the findings were first explained from the interviews, And then in order to analyze and discuss the finding comparison and contrast was done with literature separately in order to make this research precise and easy to understand.

6.1 Concluding Discussion

This research aimed to understand the perspective of the employees about what place they see themselves as stakeholders of the company. In this research it was found that employees consider themselves to be as primary stakeholders of the organization and they want management to keep them in focus when they design and address the primary goals of the company. Literature was also similar to this research in this context that employees are the primary stakeholders of the organization and they play an important role in running the organization. There were various justifications and proofs that were given by the scholars to clarify that employee deserve to be in top tier of the stakeholders in any organization.

This research also aimed to understand from employees perspective that how much knowledge does employees have of corporate governance and decision making in the organization. Also that does employees actually see the benefits of corporate governance systems in their organization. In this research it was found from respondents that corporate governance is really effective in setting up a good governance system. Because of their past experiences they have observed that following corporate governance guidelines really does brings the management in

the box of accountability and improve control over them. But still it was observed that employees showed this perspective that corporate governance mainly focuses on shareholders' interests because shareholders are the top most stakeholders of the company. Most of the literature has also been similar to this research in this regard that corporate governance guidelines really do provide for a good governance system in the organization but at the same time it was also emphasized that employees should not be ignored and they should also be considered as primary stakeholders of the company and it was encouraged to bring employees also in corporate governance,

This research aimed to explore the perspective of employees that how much they want to be involved in corporate governance and decision making in their organizations. It was also found from some respondents that their organizations already follow this approach of governance and they recommended and praised this practice in all organizations. And those who were not governed in employee participation environment also highly recommended the employee participation approaches discussed in analysis and discussion section. And it was found from all the respondents that employee participation in governance and decision making will result in highly motivated working environment and increase productivity, efficiency and effectiveness. In the literature same concept was found in the researches that employee participation is an additional tool for improvement in corporate governance and it was highly recommended by researchers that it should be adopted by organizations. Research also highlighted some countries which have employee participation as part of their law like Germany and Japan. And it was explained making it part of law really increases the influence of employees over decision making and limits the extra ordinary power given to management. Therefore in this regard findings of the research were similar to the previous researches.

The concluding statement that can be derived from the findings of this research is that, this research supports the arguments of previous researchers. The overall result of analysis was that employees do consider themselves as one of the most

important stakeholders of the company whose knowledge really does help organization in achieving its goals and their interests shall also be given importance just the way shareholders' interests are given importance to. Also this is concluded that employees really believe that their participation in decision making can really result in a much better governance system and could help in further control over management which is in the benefits of shareholders as well. And finally it was demanded by all employees that employee participation should be promoted and it should be made a necessary part of governance systems.

6.2 Limitations to Research

During the research the researcher had to come across several limitations which need to be disclosed to make a fair presentation of this research. Therefore some of the limitations that exist in this research are as follows:

- The research was based on the exploration of employee perspectives on corporate governance, decision making and employee participation. Most of the interviewees that were selected were of such educational and experiential background that they were aware of corporate governance guidelines, decision making processes and employee participation. However there were some limitations because some interviewees were not aware of the deep down practicalities in the research area.
- Time is a valuable thing. Therefore, it's hard for people to give away. Two of the respondents because of their busy schedule were trying to finish the interview as soon as possible. There was also lack of interest shown by few. But reasonable information was still collected in the interviews.
- There are several factors which might cause a different perspective of employees such as bad economical conditions, psychological factor, unemployment, etc. Some employees have different views because of different type of environments they live in. As it was found in the research some employees still work whole heartedly for their employers just because fear of losing job when unemployment is high.

- Although it was informed to the interviewees that their employer's name shall not be disclosed, but yet because of human nature, some employees have made positive comments about their organizations which were actually not true or they might have hesitated to provide some information which would have given further contribution to this research.
- Qualitative researches have some limitation implied within as compared to quantitative researches. Quantitative research is based on more sampling and statistical data analysis which makes the more illustrative closer to reality. Therefore qualitative researches are not more of the nature that they should be passed on to public with confidence.
- This research is not a complete study because there are several issues that might have been ignored in this research such as there might be some organizations that might have different extra ordinary procedures to keep their employees satisfied and informed.

6.3 Contribution of Research

This research document would be helpful in developing an understanding of corporate governance and how it became important. Then further to this result also help in increasing knowledge of important group of stakeholders like employees and shareholders and what makes them important. This would also help in gaining an understanding of the basic concept of employee participation and how it can be helpful in long term success, good decision making and better governance system for organizations. This makes a good contribution to the researchers who have previously researched in this area by providing an increased knowledge about the study of employee perspective in the areas of corporate governance, decision making and employee participation.

6.4 Recommendations for further research

This research has contributed towards previous researches in by providing the perspective of employees in effectiveness of corporate governance, their involvement in decision making and other forms of employee participation. There

are several other researches that can be done to continue in order to continue this research. In this aspect I would recommend a quantitative research on employees' perspective on participation in decision making i.e. employee participation in corporate governance. This research would result in wide scale research on employees from different backgrounds and their perspectives about which type of corporate governance system is preferred by them. This research can also be continued as what type of employee participation techniques are more effective in the governance system because this research is silent about the method of employee participation and mainly focuses on participation in governance and decision making.

6.5 Personal Reflection

This was an excellent opportunity for me to learn about the principles of business research methods. It all began with the basic understanding of research that was choosing a topic of interest for research and searching literature for the topic. It was quite difficult in the beginning to grasp the core concepts of research. But as soon as I learned about research paradigms and methodology the doors started to open for me and I developed further interest in this research. It was really a good experience to practically collect information from individuals and then explaining and analyzing it to form conclusion, It was great challenge to complete this dissertation and I am thankful to all those who helped me completing my research and winning this challenge.

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Appendix A – Sample of Interview questions

Question 1:	<i>Tell me about corporate governance in your organization? Is your organization primarily focused on shareholder wealth maximization or does it take employees concerns also as important as concerns of shareholders?</i>
Question 2:	<i>What is your opinion on the contribution of employees in the growth and success of the company?</i>
Question 3:	<i>How do you see importance of the employees as stakeholders when it comes to corporate governance and decision making?</i>
Question 4:	<i>Is your management concerned over employees' interests and their opinions when it comes to decision making regarding significant issues which impact the human resource and organization as a whole?</i>
Question 5:	<i>Do you agree that incorporating Corporate Governance into the system results in a better control over the management?</i>
Question 6:	<i>If employee participation becomes part of corporate governance and employees or employee representatives are allowed to participate in decision making, would it improve decision making in your organization? Please explain with reasons.</i>
Question 7:	<i>According to your personal experience, please tell me what do you realize about employees are only interested in their jobs, salary and their areas of responsibility or most them are eager to know what is going on in board room?</i>
Question 8:	<i>Would you recommend employee participation in companies for a better corporate governance system?</i>
Question 9:	<i>If Yes, Do you recommend this practice to be followed on global scale as great economies like Germany, UK and Japan are already following this approach?</i>
Question 10:	<i>Do you agree that incorporating employees' participation in corporate governance system would result in better control over the management of the company?</i>

Appendix B – Interesting Pictures Related to the topic

